

VZCZCXRO5821  
RR RUEHLMC  
DE RUEHYE #0108/01 0491754  
ZNY SSSSS ZZH  
R 181754Z FEB 09  
FM AMEMBASSY YEREVAN  
TO RUEHC/SECSTATE WASHDC 8679  
INFO RUCNCIS/CIS COLLECTIVE  
RUEHAK/AMEMBASSY ANKARA 1693  
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION WASHINGTON DC  
RHMFISS/CDR USEUCOM VAHINGEN GE//J2/J5/HSE//

S E C R E T SECTION 01 OF 02 YEREVAN 000108

SIPDIS

E.O. 12958: DECL: 02/17/2019

TAGS: [PGOV](#) [EFIN](#) [AM](#)

SUBJECT: PRESIDENT TAMPs DOWN PREDECESSOR'S POLITICAL  
MANUEVERING

REF: YEREVAN 85

Classified By: CDA Joseph Pennington, reasons 1.4 (b,d)

¶1. (S) Republican Party faction secretary Samvel Nikoyan (protect) confided February 18 that political intrigues aimed at unseating Prime Minister Tigran Sargsian have dropped off from their peak in December. Nikoyan said that President Sargsian had gone to see ex-President Kocharian at some point after the December 26 National Assembly tax legislation vote in which ruling coalition partners Prosperous Armenia and Armenian Revolutionary Federation (ARF) had openly broken with President Sargsian's Republican Party to vote against the government-sponsored legislation. Prosperous Armenia leader Gagik Tsarukian and some ARF parliamentarians had vigorously criticized the legislation, which pits the economic interests of various well-connected business oligarchs against each other. Nikoyan said Sargsian told Kocharian "You can be prime minister if you want, but you'll have to bring a new president too." The clear implication was that Sargsian would not tolerate Kocharian's continued political maneuvering against Sargsian's government, and to continue sponsoring these political proxy wars would mean a full-scale confrontation.

¶2. (S) Nikoyan volunteered his assessment that if Kocharian truly set his mind to oust the Prime Minister and take his place, Kocharian would be able to rally enough votes in the National Assembly to win a no-confidence measure, despite President Sargsian's opposition. However, it seems that Kocharian is not disposed, at present, to provoke open political warfare with his former protege Serzh Sargsian over it. (COMMENT: Within the ruling coalition, Prosperous Armenia is thoroughly a Kocharian instrument. The ARF is more heterogenous and independent, but has much stronger ties to Kocharian than Sargsian. The Rule of Law Party (Orinats Yerkir) seems in Sargsian's corner at present, but its leader has proved himself always receptive to a better offer. The dominant Republican Party seems fully in President Sargsian's -- and thus also PM Sargsian's -- corner for now, but there may be subterranean fault lines within the Republican establishment as well, should a show-down come. END COMMENT)

¶3. (S) Nikoyan went on to discuss the Sargsian government's moves to assert government (tax and customs) control over the oligarchs who control the most lucrative import businesses. Nikoyan said that "he" -- presumably meaning President Sargsian, but it could equally apply to Prime Minister Tigran Sargsian -- was unable directly to take on the oligarchs themselves, so instead was using the lottery incentive on sales receipts (reftel) as a tool. Nikoyan noted that the oligarchs have long kept large swathes of their import business under the table. By forcing small businesses to provide receipts (and having enlisted customers a compelling incentive to aid enforcement; Nikoyan said the PM's consumer hotline to report vendors who fail to provide receipts is ringing off the hook these days) the tax and customs

authorities will be able to piece together the total volume of goods that have truly been imported and to use that information gradually to improve collection.

14. (S) Nikoyan cited the example of a retail pharmacy owned by a relative. Previously the pharmacy had reported about half its total sales volume to tax authorities, and sold the rest under the table. However, this has become impossible, because the customers are all now demanding proper receipts with the tax agency's printed lottery numbers. Since the pharmacy is known to source its imported drugs from the oligarch Samvel "Lfik Samo" Alexanian, authorities will in due time be able to combine this data with other vendors and assemble a clear picture of Alexanian's total import volume and tax him appropriately.

15. (S) COMMENT: We consider Nikoyan a fairly frank and authoritative source on internal Republican Party matters. He is very much Serzh Sargsian's man. In recent months, the backroom struggle between Serzh Sargsian and Robert Kocharian has graduated from barely-acknowledged hints and whispers to the worst kept secret in town. Our sense is that Nikoyan's version of events is corroborated by experience; breathless rumors of Tigran Sargsian's imminent ouster have indeed thinned in the past few weeks. The political rumor mill was abuzz in January with ubiquitous gossip about Prosperous Armenia leader Gagik Tsarukian's well-televised foreign travel and other indications and rumors that Tsarukian would shortly take over as Prime Minister. Nikoyan himself had pointedly not dismissed the possibility a mere two weeks ago, when we had skeptically questioned whether anyone seriously though the unlettered former wrestler could be named PM. The

YEREVAN 00000108 002.2 OF 002

fact that President Sargsian headlined the Prosperous Armenia party congress February 12 with a landmark speech -- the major points of which were subsequently parroted back by Tsarukian -- shows that the President has, for now at least, made the point that Prosperous Armenia remains loyal to him.

16. (S) COMMENT (CONTINUED): If true, it is very interesting that Sargsian directly confronted Kocharian on his political machinations and that Kocharian backed off. However, it is also a potentially worrisome sign of how difficult the relations between the two may have become. We suspect that Kocharian will only bide his time, perhaps wait until the coming economic/financial crisis has ripened to the detriment of the two Sargsians' popularity ratings, and then perhaps make a more decisive move to return to power in some capacity.  
PENNINGTON